

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 001728

SIPDIS

STATE FOR EB/IFD, WHA/EPSC, INR/IAA, DRL/IL, AND WHA/CEN  
TREASURY FOR DDOUGLASS  
STATE PASS AID FOR LAC/CAM  
DOL FOR ILAB

E.O. 12958: DECL: 08/21/2015

TAGS: [ECON](#) [EFIN](#) [ELAB](#) [PGOV](#) [HO](#)

SUBJECT: HONDURAS: NEW WORLD BANK RESIDENT REPRESENTATIVE

Classified By: Classified by EconChief PDunn for reasons 1.5 (B,D)

1. (C) Summary: Recently-arrived World Bank Resident Representative Adrian Fozzard highlighted the Bank's current foci in Honduras, including closer coordination with other donors, encouraging GOH civil service reform and an orderly transition following the November 27 elections, and the production of a new Country Assistance Strategy for Honduras. The Bank remains convinced of the net positive impact CAFTA will have on Honduras, and possesses some early (embargoed) data that indicate a significant drop in poverty rates. (Fozzard cautioned that this data may not be released until after the November elections.) The Bank seeks to develop joint policy papers with other donors for the new GOH administration, and is looking for project areas -- such as clean water and sanitation -- where it can also build on the field work of other donors. End Summary

2. (SBU) On August 17, ADCM and EconChief met with newly-arrived World Bank (WB) Resident Representative to Honduras, Adrian Fozzard. Fozzard said he is currently conducting a WB portfolio review, and will shortly be turning his attention to the creation of a new Country Assistance Strategy for Honduras. Fozzard raised several issues of concern for the Bank. First, he said, the Bank seeks to work more closely with the donor coordination group (known as the G-16). He is encouraged by the efforts of the new German and Italian Ambassadors, as well as the new Canadian G-16 Chair, to re-invigorate the group, and expects the new U.S. Ambassador will play a similar role once he is confirmed and arrives.

3. (SBU) Fozzard also plans to raise (again) the issue of civil service reform with the GOH. Such reforms, he pointed out, are "a critical part" of the Poverty Reduction Strategy Paper (PRSP). Without them, the GOH must re-learn everything following each election cycle, as most or all government employees, including technical experts, are fired to make room for political patronage appointments. However, he said, there appears to be little political will within the GOH for taking on this issue before the September 15 start of a Congressional recess that continues through the November elections. He expressed his hope that this issue could be revisited early in the new administration.

4. (SBU) The Bank is broadly interested in supporting an efficient transition following the November 27 elections, and to this end will be drafting a series of policy notes concerning policy directions the Bank would like the new GOH administration to take. Fozzard hopes to fold this process into that of drafting background notes for the new Country Assistance Strategy for Honduras. He also expressed his strong preference for coordinating these policy positions in advance with other donors, notably including the UNDP and the technical working groups of the G-16. These efforts will be delayed for a few more weeks, however, as many of the European members of the G-16 are still on summer leave.

5. (C) Concerning the impacts of trade liberalization, Fozzard pointed to a recent WB study that concluded the poorest rungs of Central American society are net consumers and therefore -- even in a worst-case scenario -- are expected to benefit from the increased diversity and lower prices of consumer goods under CAFTA. Other economic liberalization measures adopted over the past four years by the GOH also appear to be delivering results. (Strictly protect: World Bank figures suggest the poverty rate in Honduras has dropped 5 percent this year, from 64 percent to 59 percent, and rates of extreme poverty similarly dropped "from the low 40's to the high 30's." This data is preliminary, and is embargoed until after the elections, as the WB does not want to be accused of being partisan or influencing the electoral outcome.)

6. (SBU) Responding to Fozzard's offer to collaborate more closely with U.S. Embassy programs, ADCM recommended the WB look at the strategic plans many municipalities have developed to prioritize their infrastructure needs. In particular, the Bank should consider the vast need for clean water and sanitation projects. (Note: Under the GOH plan,

Honduran water authority SANAA continues to turn over responsibility for water systems to the municipalities. However, in many cases the systems are inadequate or obsolescent, and water rates are insufficient to pay even for operations and maintenance, not to mention system upgrades. Therefore, the municipalities are in urgent need of outside resources -- whether from privatization of the larger urban water systems, or donor support for the more remote, less economically viable ones -- to meet public needs. End Note.)

Williard  
Williard